



Development
Services Agency

FY 2017 Ohio Annual Strategy Statement for Implementation of Appalachian Regional Commission Programs

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Submitted To:

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Introduction

The State of Ohio is required to prepare and submit an Annual Strategy Statement for Implementation of Appalachian Regional Commission Programs to the Appalachian Regional Commission (ARC), pursuant to Chapter 5, Section 5.4 of the ARC Code. The purpose of the Annual Strategy Statement is to describe the programs and policies that the State of Ohio will undertake to achieve the goals and objectives outlined in the FY 2016 – FY 2019 Ohio Appalachian Development Plan.

The FY 2017 Ohio Strategy Statement will be submitted by Governor John Kasich for review and approval in February 2017 at a Governors' Quorum Meeting, or via mail ballot authorized at such a meeting, and will remain in effect until amended or a new Strategy Statement is approved by the ARC. Amendments to Strategy Statements that are consistent with a state's Appalachian Development Plan may be approved at either a Governors' Quorum Meeting or an Alternates Meeting.

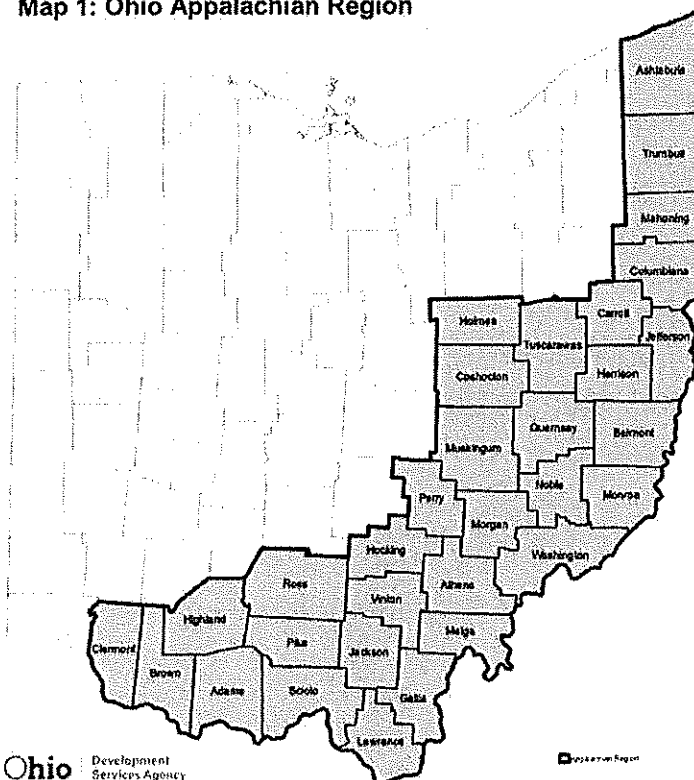
The final approved FY 2017 Annual Strategy Statement will be made available on the Ohio Development Services Agency's website at http://development.ohio.gov/cs/cs_goa.htm. Additional Ohio ARC information such as program specifics, policies and contact information will also be made available on the website and from Ohio's Local Development Districts (LDDs).

Ohio Appalachian Region

The Appalachian Ohio region covers a vast portion of the state. The 32 Appalachian counties stretch south along the Ohio River and as far north as Lake Erie. The region's infrastructure connects businesses in Ohio's cities and townships with access to regional, national, and global markets.

The 32 Appalachian counties, designated by the U.S. Congress in the Appalachian Regional Development Act of 1965 as well as the 1990 and 2008 ARC reauthorization legislation, were selected because they are part of a region that needs the opportunity to accommodate future growth and development. The counties also need to demonstrate local leadership and coordinate planning so that housing, public services, transportation, and other community facilities can be provided.

Map 1: Ohio Appalachian Region



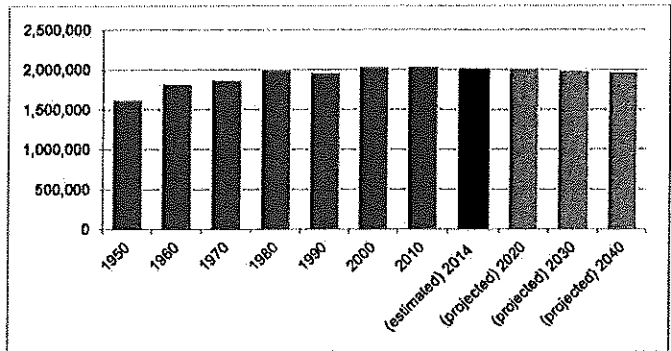
Population

Ohio's Appalachian region is more sparsely populated than the rest of the state. The 2010 Census lists Ohio as 12th among the 50 states in population density with 282.3 people per square mile. Based on data from ODSA's Appalachian and Ohio profiles, the population density for the Appalachian region is 127.5 people per square mile and for the non-Appalachian region – the remaining 56 counties – 380.7 people per square mile.

With a population of 2,042,040 based on the 2010 U.S. Census, Appalachian Ohio represents 17.7 percent of Ohio's total population of 11,536,504. The 2008 ARC reauthorization legislation designated Trumbull, Mahoning, and Ashtabula counties as Appalachian, increasing the number of Ohio Appalachian counties from 29 to 32. Adjusting for these additional counties, the population of Ohio's Appalachian region has remained steady during the past four decades and is projected to see a slight decline over the next three decades (see Figure 1).

When comparing 2000 and 2010 Census figures, the population of Appalachian Ohio remained stable, increasing by only 1,328 – a growth rate lower than Ohio's annualized percent change of 1.6 percent (see Figure 1). As in other regions of the state, the county-by-county population changes from 2000 to 2010 have varied. Jefferson, Mahoning, and Trumbull counties experienced population losses greater than 5 percent during that 10-year period. Of the 22 counties that experienced increases in population, only Clermont and Holmes counties had more than an 8 percent increase in population from 2000 to 2010.

Figure 1: Projected Population Change



Source: U.S. Census
*projections based on OPRSP

Of Ohio's 10 largest cities, based on the 2010 Census figures, only one is in the Appalachian region. The City of Youngstown in Mahoning County is ranked ninth with a population of 66,982. The populations of nine of Ohio's 10 largest cities decreased significantly between the 2000 Census and the 2010 Census, with Youngstown reporting the largest percentage decrease – 18.3 percent.

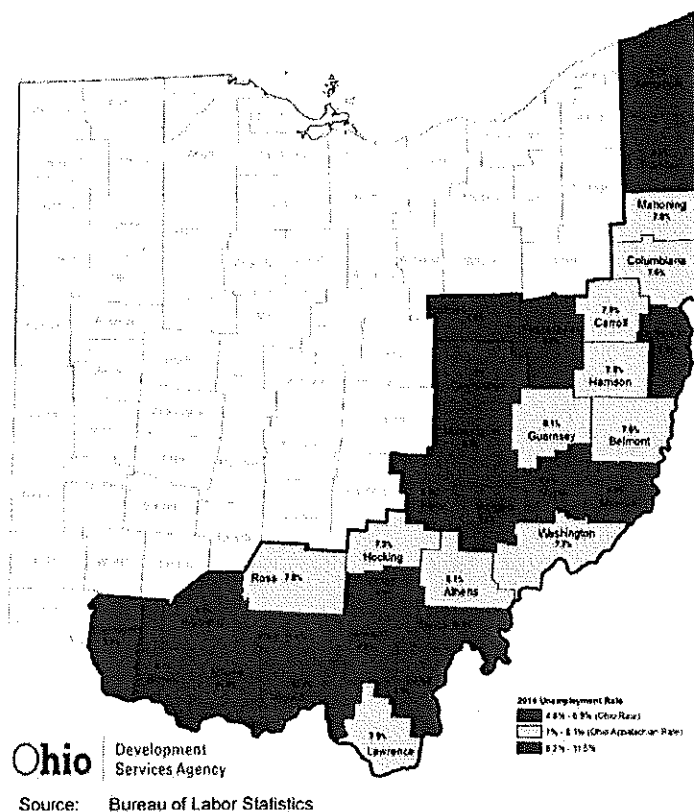
Economic Overview of Ohio's Appalachian Region

Unemployment

Historically, the Appalachian region has experienced higher levels of unemployment when compared to the national and state annual unemployment rate averages. As of 2014, the three-year average Ohio Appalachian region unemployment rate is 8.1 percent, which is significantly higher than the state of Ohio average, as reported by the Bureau of Labor Statistics data tracked by the ARC.

Map 2 indicates that unemployment rates vary throughout the region, and high unemployment rates are not concentrated in one particular area.

Map 2: 2014 Unemployment Rate



Employment

The U.S. Bureau of Labor Statistics (BLS) releases annual employment and wage data through the Quarterly Census of Employment and Wages (QCEW) program aggregated by industry at the national, state and county levels. Table 1 on the next page provides a comparison of 2009 to 2013 private and public sector QCEW data for Ohio's Appalachian Region to show how the region's economic condition has responded to the recession that began in 2008. As indicated in the data provided by the BLS in Table 2 on the next page, the private sector experienced a 3.4 percent increase in average employment from 510,657 people in 2009 to 528,039 in 2013. Within the private sector, 76.7 percent of all employment fell within service provider industries and 23.3 percent within goods-producing industries. Approximately 106,000 people were employed in the public sector in 2013 as either federal, state, and local government employees, which represents a 5.5 percent decrease from 2009.

Total wages in the goods-producing private sector were \$6 billion, \$12.4 billion in the service-producing private sector, and \$3 billion in the government sector. Average salaries increased in all sectors and industries with the private sector increasing by 9.3 percent. The natural resources and mining industry experienced the largest increase in annual average salary from more than \$48,000 in 2009 to nearly \$58,000 in 2013, which represents a nearly 20 percent increase. Overall, the goods-producing industries' annual average salaries increased by 10.2 percent and those of the service provider industries increased by 8.6 percent.

Table 1: Establishment and Employment by Sector 2013

	Number of Establishments	Average Employment	Total Wages	Average Weekly Wages
Private Sector	38,338	528,039	\$18,506,561,977	\$672
Goods Producing	6,964	123,009	\$6,036,802,055	\$941
Natural Resources and Mining	690	7,613	\$440,520,803	\$1,109
Construction	3,844	26,467	\$1,281,274,038	\$928
Manufacturing	2,431	85,778	\$4,148,381,773	\$927
Service-Producing	31,374	405,030	\$12,469,759,922	\$590
Trade, Transportation and Utilities	9,817	130,909	\$4,178,453,443	\$612
Information	460	6,451	\$300,290,100	\$892
Financial Services	3,541	22,022	\$913,840,144	\$795
Professional and Business Services	4,884	50,835	\$1,948,806,920	\$735
Education and Health Services	4,780	109,798	\$3,860,710,172	\$674
Leisure and Hospitality	4,136	66,656	\$863,060,877	\$248
Other Services	3,711	18,089	\$396,555,267	\$420
Federal Government		6,968	\$403,023,609	\$1,109
State Government		17,035	\$855,396,947	\$962
Local Government		82,124	\$2,982,260,065	\$696

Source: Bureau of Labor Statistics

Table 2: Establishment, Employment and Salary by Sector Percent Change from 2009 – 2013

	Number of Establishments	Average Employment	Total Wages	Average Weekly Wages
Private Sector	-3.1%	3.4%	13.0%	9.3%
Goods Producing	-9.3%	5.2%	15.9%	10.2%
Natural Resources and Mining	6.0%	8.2%	30.0%	20.1%
Construction	-12.1%	3.7%	16.7%	12.6%
Manufacturing	-8.5%	4.1%	12.7%	8.3%
Service Producing	-1.6%	2.9%	11.7%	8.6%
Trade, Transportation and Utilities	-3.1%	0.4%	8.9%	8.5%
Information	-9.3%	-19.7%	-12.5%	9.0%
Financial Services	-4.3%	-8.4%	1.0%	10.2%
Professional and Business Services	1.1%	23.7%	43.0%	15.6%
Education and Health Services	1.4%	0.9%	7.2%	6.2%
Leisure and Hospitality	-2.7%	6.1%	15.6%	8.9%
Other Services	0.6%	-0.6%	10.1%	10.8%
Federal Government		-5.5%	-2.2%	3.5%
State Government		-5.3%	-3.1%	2.3%
Local Government		-7.1%	-3.4%	4.0%

Source: Bureau of Labor Statistics

The number of private sector establishments decreased by 3.1 percent from 2009 to 2013 in all goods-producing and service-producing sectors. The largest decreases by percentage of average employment from 2009 to 2013 were information technology at 19.7 percent and local government employment at 7.1 percent. A number of areas saw increases in average employment during that period, including professional and business services, manufacturing, education and health services, and leisure and hospitality.

The Office of Policy Research and Strategic Planning at the Ohio Development Services Agency compiled statistics on the annual business filings and active businesses in Ohio Appalachia from 2008 to 2013, as indicated in Table 3. Based upon this data, there were 16 percent fewer business filings in 2013 than in 2008, and approximately 6 percent less active businesses in 2013 than in 2008.

Table 3: Business Activity 2008 – 2013 in Ohio Appalachia

Business Numbers	2008	2009	2010	2011	2012	2013	Percent Change Since 2008
Business Starts	3,114	2,979	2,523	2,624	2,988	2,600	-16.5%
Active Businesses	36,026	34,985	34,310	34,038	33,703	33,638	-6.6%

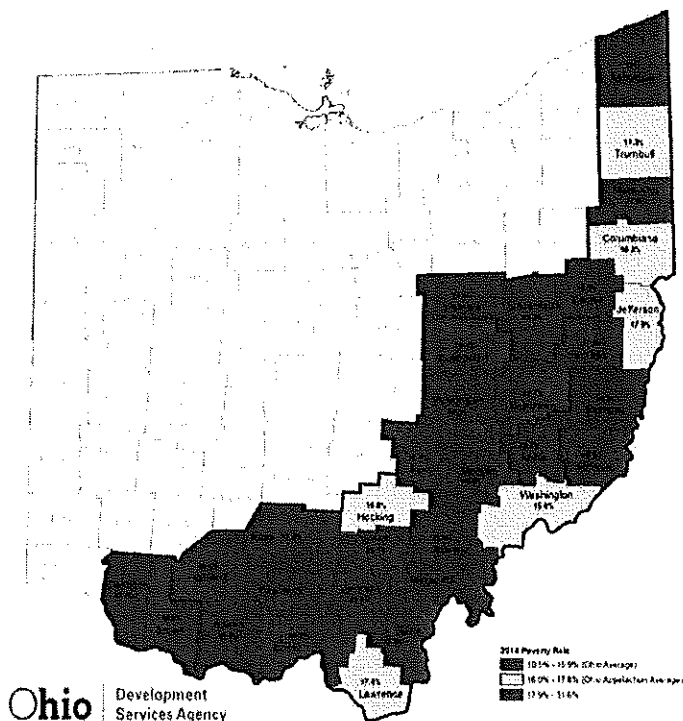
Source: Bureau of Labor Statistics and ODSA's Office of Research

Poverty

The Appalachian region of Ohio has a poverty rate of 17.6 percent based upon the U.S. Census American Community Survey 2009-2013 data. Eighteen counties, primarily located in the southernmost portion of the region, have a poverty rate greater than the average of the Ohio Appalachian region. Athens County is the only county in the Ohio Appalachian region with poverty rate levels exceeding 30 percent, as indicated on Map 3. As of 2013, only six counties in the Ohio Appalachian region have poverty rates at or below the national average of 15.4% percent. The Ohio Appalachian region has historically had poverty rate levels higher than state and national averages.

Since 2000, the Ohio Appalachian region, national Appalachian region, State of Ohio and nation have all experienced increases in poverty rate levels, but the Ohio Appalachian region's levels have been greater during that period.

Map 3: 2014 Appalachian Counties Poverty Rate

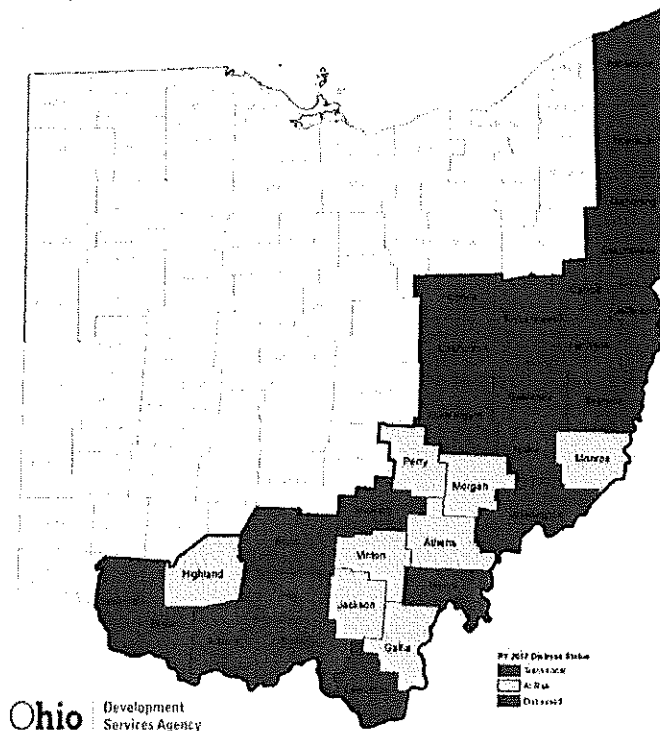


Source: 2010-2014 ACS

Current Distressed County Designations

Section 7.5.d of the ARC Code lists the strategy statement requirements for states having designated distressed counties, which is an ARC designation recognizing "...counties within Appalachia with persistent, long-term problems that have resulted in extraordinary levels of economic and human distress." In FY 2017, four of Ohio's 32 Appalachian counties are designated as distressed: Adams, Meigs, Pike and Scioto. The ARC Code describes the Commission's commitment to providing special assistance to distressed counties to ensure that "...residents are better able to address problems, realize opportunities, and effectively participate in setting the course of their future development." States having distressed counties are required to include "...special objectives and strategies and funding criteria..." for those counties in their Strategy Statements.

Map 4: FY 2017 ARC Distressed Counties



The ARC Code also encourages states to undertake specific activities to serve distressed counties. These include:

- Developing and funding projects that:
 - Facilitate the process of building local capacity,
 - Result from a collaborative process, or
 - Promote regional alliances.
- Working with their local partners to ensure that Commission-funded activities in distressed counties are consistent with local community economic strategic plans, which should:
 - Identify community needs, actions for improvement, and capacity to sustain activities in the long term; and
 - Include measurable outcomes.

These activities are encouraged for all Appalachian counties, with special emphasis given to distressed counties due to their economic fragility. Funding for the activities originates from two sources and includes leveraged funds from other sources. The Governor's Office of Appalachia receives approximately \$5.3 million in federal funds annually from the ARC. The state has historically received an additional \$1 million in federal funds for access roads in Appalachia through the Appalachian Development Highway System (ADHS).

Initiatives for distressed counties

Distressed counties may apply for up to 80 percent of project costs associated with a federal ARC or state GRF funded project. Multi-county projects that include a distressed county or counties may be eligible to apply for up to 65 percent of the total project costs. In-kind match for distressed county projects may be as much as one-third of the total required match.

Key Administrative Policy Features of Ohio's Appalachian Development Program

A. Program Overview

For FY 2017, the Governor's Office of Appalachia will administer the following four programs: Appalachian Local Access Road, Rapid Response Fund, Area Development, and Distressed Counties. Funds for these programs come from either the Appalachian Regional Commission or the State of Ohio General Revenue Fund (GRF). Ohio is the only state in the 13-state federal Appalachian region to earmark state funding for the region. Table 3 provides the estimated funding levels for FY 2017.

Table 3: Estimated PY 2017 Appalachian Development Funds

Programs	Federal and State Funds Totals	Percent of Total	Funding Sources	
			Federal ARC	State GRF
Appalachian Local Access Road	\$ 1,000,000	10.3%	\$ 1,000,000	
Rapid Response Fund	\$ 1,500,000	15.4%		\$ 1,500,000
Area Development Program	\$ 5,950,000	61.0%	\$ 3,000,000	\$ 2,950,000
Distressed Counties Program	\$ 1,300,000	13.3%	\$ 1,300,000	
Totals =	\$ 9,750,000	100%	\$ 5,300,000	\$ 4,450,000

Project funds are made available through several grant programs that support community and economic development initiatives, including water and wastewater projects. Interested applicants are directed to work with staff at their LDD to obtain application guidelines and forms and to design and refine proposed projects. For most of the grant programs, applicants submit completed pre-application or application forms to their LDD. LDD staff and board members review, score, and rank applications to create a board-approved district funding package. The Local Development Districts meet with the Appalachian Regional Commission program manager, the Governor's Office of Appalachia Director, and Office of Community Development staff to review the four district funding packages and available funds and develop the annual state and federal investment packages. Projects included in Ohio's investment packages support the goals and objectives of the ARC and the State of Ohio Four-Year Appalachian Development Plan and Annual Strategy Statements.

Information about the maximum allowable grant requests per program, specific programmatic design issues, as well as policies that pertain to the Appalachian Development programs is provided on the ODSA website at http://development.ohio.gov/cs/cs_goa.htm.

B. General Matching Requirements

In general, projects funded with federal ARC or state Appalachian development funds require a match based on the ARC-determined economic status of the county where the project will be located. The usual required match, as a percentage of the total project cost, based on the county economic designation, is provided in Table 4.

Table 4: Match Requirements

County Designation	Maximum Grant Contribution (percentage of total project cost)	Minimum Match Required (percentage of total project cost)
Distressed	80%	20%
At-risk	70%	30%
Transitional	50%	50%
Competitive	30%	70%
Attained	ARC and state Appalachian development funding is usually not available for projects located in ARC-designated attainment counties.	

Note: Applicants must demonstrate need in order to be eligible for Federal ARC or state GRF dollars that extends beyond 50 percent of the projected costs.

C. Other Match Requirements

- Although distressed counties may apply for up to 80 percent of project costs associated with a federal Appalachian Regional Commission (ARC) project, it does not entitle applicants in such counties to that rate. Applicants must demonstrate need in order to justify state or federal participation that extends beyond 50 percent of the project costs.
- ARC assistance for multi-county projects in which at least half the counties are distressed may be increased to as much as 65 percent of project costs.
- If at least one, but less than half, of the counties in a multi-county project are distressed, funding of up to 50 percent is always allowed, and the funding level may rise to the average level for the counties involved, if that is greater than 50 percent.
- ARC assistance for multi-county projects, including at least one competitive county but no distressed counties, is limited to the average percentage applicable to the various counties in the project.
- The portion of project costs attributable to an attainment county in a multi-county project not including a distressed county shall be considered ineligible for ARC assistance and may not be considered for matching purposes.

D. In-Kind Match Limitations

In-kind contributions shall be considered for the following counties and projects:

- Distressed county projects: in-kind match must not be more than one-third of the total match
- At-risk county projects: in-kind match must not be more than one-third of the total match
- Transitional counties: in-kind match must not be more than one-fourth of the total match
- Competitive county projects: in-kind match must not be more than one-eighth of the total match

E. Ineligible Projects

Projects and activities that are ineligible for federal ARC funds or State Appalachian funds are:

- Projects related to local governments' general operations, including constructing city halls, courthouses, jails, and fire departments as well as salaries and operating costs related to these governmental functions;
- Political activities of any kind, whether at the local, state, or national level;
- Project activity in attainment counties;
- Constructing schools; and
- Indirect costs.

F. Project Timeline

Projects should be designed to be completed within a 12-month timeline, and projects that may require a longer period will be considered on a case-by-case basis. The ARC Program Manager may withdraw the balance of funds if a project cannot be completed within the agreed-upon project period. ARC reserves the right to withdraw grants for projects not under contract within 18 months of approval.

G. Policy for Cost Overruns and Underruns

Grant funds must be expended on a pro-rata basis with other private and public funds committed to a project. Any project cost savings must be proportionally divided among the funding sources. Grantees that fail to follow this rule will be responsible for paying the cost savings back to the ARC for federal funds and to the State of Ohio for GRF funds.

H. Other Policies and Operating Procedures Related to Administrative Issues

All applications will be reviewed by the LDD and ODSA's Office of Community Development staff to verify that the following minimum qualifications are met:

- Application is complete and accurate
- Project approach is feasible
- Project is eligible under ARC Code
- Application demonstrates a clear need for ARC assistance
- Project is ready to proceed once ARC/state funding is approved and grant agreements signed
- Project is consistent with ARC and state goals, objectives, and strategies
- Application includes documentation of matching funds commitment(s), including local funds
- Application describes the project outcomes and outputs

Applications for construction projects are required to include a description of the applicant's consideration of energy-efficient building techniques, including the use of "smart building" technology.